

Message Text

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ORIGIN ARA-20

INFO OCT-01 ADP-00 EB-11 GSA-01 INT-08 AID-20 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 L-03 H-03 PM-07 DODE-00 /151 R

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TO AMEMBASSY LA PAZ PRIORITY

C O N F I D E N T I A L STATE 157436

E.O. 11652: GDS

TAGS: EMIN, ETRD, BL

SUBJECT: CONSULTATION ON FURTHER TIN DISPOSALS.

1. BOLIVIAN AMBASSADOR VALENCIA CALLED ON ARA/BC DIRECTOR AND EB/ISM OFFICER AT OUR REQUEST AUGUST 8.

2. WE INFORMED AMBASSADOR VALENCIA THAT PRESIDENT NIXON HAD INSTRUCTED THE DEPARTMENT TO HAVE CONSULTATIONS WITH PRODUCERS ON FURTHER TIN DISPOSALS. HE HAS SENT A COMMUNICATION DIRECTLY TO PRESIDENT BANZER EXPLAINING THE CHANGED CIRCUMSTANCES SINCE HIS LETTER TO BANZER OF JUNE 4.

3. WE TOLD AMBASSADOR VALENCIA THAT:

A) GSA QUICKLY SOLD IN JUNE AND JULY THE 6,500 TONS AUTHORIZED UNDER THE CONSULTATIONS CARRIED OUT LAST APRIL
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AND MAY. THE NEW YORK PRICE WHEN GSA ENTERED THE MARKET

WAS DOLS 2.07.

B) GSA SALES HAD NO EFFECT ON THE MARKET PRICE WHICH HAS SINCE SOARED TO NEARLY DOLS 2.50.

C) WE BELIEVE THAT THE PRICE IS NOW EXCESSIVE AND WILL INJURE PRODUCER INTERESTS IN THE LONG-RUN BECAUSE IT IS ENCOURAGING TIN SUBSTITUTION. FOR EXAMPLE, ALTHOUGH THE INCREASE THIS YEAR IN U.S. TIN CONSUMPTION IS 8 PERCENT, USE OF TIN FOR TIN PLATE HAS DECLINED BY 3 PERCENT.

D) WE ARE PROPOSING TO SELL AN ADDITIONAL 12,000 TONS DURING THE REMAINDER OF THE FIRST QUARTER OF FY 74, FOR A TOTAL OF 17,000 TONS IN THAT PERIOD.

E) USG HAS ASSURED BOLIVIA THAT WE HAVE NO INTENTION OF HARMING BOLIVIAN INTERESTS, THAT WE DO NOT INTEND TO UNDULY DISRUPT THE TIN MARKET, AND THAT IF THERE IS A PRECIPITOUS DROP IN THE PRICE WE WILL IMMEDIATELY REVIEW OUR DISPOSAL PROGRAM. THESE ASSURANCES REMAIN UNCHANGED.

F) FOLLOWING AN EXHAUSTIVE STUDY, GSA RECENTLY DETERMINED THAT IT HAS CONGRESSIONAL AUTHORIZATION TO DISPOSE OF A TOTAL OF 49,000 TONS INSTEAD OF THE 18,000 TON FIGURE PREVIOUSLY GIVEN TO THE PRODUCERS.

4. AMBASSADOR VALENCIA SAID THAT HE WOULD REPORT THE FOREGOING TO HIS GOVERNMENT IMMEDIATELY AND ASK FOR INSTRUCTIONS CONCERNING A RESPONSE. HE PERSONALLY THOUGHT THAT THE DISPOSAL OF THE 6,500 TONS MIGHT NOT HAVE BEEN ENOUGH TO STABILIZE THE MARKET, BUT HE THOUGHT 12,000 TONS MIGHT TURN OUT TO BE TOO MUCH. HE STRESSED THAT HE AND HIS GOVERNMENT WOULD DEAL WITH THIS MATTER OBJECTIVELY AND RATIONALLY, AND NOT DEMOGOGICALLY. ROGERS

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